GIPS® Standards for Firms – Explanation of the Provisions - Errata September 2020

The following item reflects a correction to the Explanation of the Provision in the 2020 edition of the GIPS Standards for Firms.

1. **Provision 3.A.4 Discussion**

In the second paragraph (shown below) of the Provision 3.A.4 discussion, need to change “must” to “should”, as noted below:

> If a firm temporarily waives the investment management fee for a portfolio that is normally charged a fee, the portfolio is still considered a fee-paying portfolio (with a fee of zero for that period) and must be included in the appropriate composite. Some firms may manage portfolios that have a minimal investment management fee that is meant to cover operating or transaction costs. This arrangement is common for portfolios that are owned by friends and employees of the firm. If a portfolio has a very small investment management fee that is not representative of the investment management fee that a segregated account would typically pay, the firm must consider such a portfolio as fee-paying for purposes of composite inclusion. However, because the portfolio has only a minimal investment management fee that is not representative of the firm’s investment management fee for that strategy, the segregated account ~~must~~ should be included in the percentage of composite assets that is non–fee paying. The percentage of composite assets that is non–fee paying is a required disclosure in GIPS Composite Reports when net-of-fees composite returns are presented and are calculated using actual investment management fees.